

Message Text

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ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 NEA-10 ISO-00
ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00
FEAE-00 FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05
OMB-01 PM-04 USIA-06 OES-06 SP-02 SS-15 STR-04
TRSE-00 ACDA-07 FRB-03 PA-01 PRS-01 /135 W
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P R 121225Z JAN 77

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC PRIORITY 7041

INFO AMEMBASSY BERN

AMEMBASSY BELGRADE

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY CARACAS

AMEMBASSY COPENHAGEN

AMEMBASSY DOHA

AMEMBASSY DUBLIN

AMEMBASSY HELSINKI

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TEHERAN

AMEMBASSY TOKYO

AMEMBASSY VIENNA

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FROM IDA USDEL

E.O. 11652: N/A

TAGS: EAID EFIN

SUBJECT: FIFTH MEETING OF IDA DEPUTIES

1. SUMMARY. IDA DONORS MEETING MADE SOME PROGRESS TOWARD RESOLVING OUTSTANDING ISSUES ALTHOUGH MAJOR ISSUES OF SIZE BURDEN SHARING AND LEVEL OF OPEC CONTRIBUTION REMAIN OPEN. US RESERVED ITS POSITION ON ALL MAJOR ISSUES. JAPANESE ATTEMPTED TO FORCE PACE OF NEGOTIATIONS BUT WERE UNSUCCESSFUL IN THEIR OBJECTIVE OF REACHING AGREEMENT IN SUBSTANCE DURING THIS MEETING. FRENCH CONTINUE TO INSIST OMTA CONTRIBUTION LOWER THAN WHAT THEIR SHARE OF \$7.2 BILLION FROM TRADITIONAL DONORS UNDER THE NAIROBI FORMULA WOULD BE. SAUDI ARABIAHND UAE INFORMED THE CHAIRMAN OF THEIR INTENDED CONTRIBUTIONS AT A LEVEL OF \$ 250 MILLION AND \$50 MILLION RESPECTIVELY. BOARD OF DIRECTORS MAY BE REQUESTED TO CONSIDER BRIDGING ARRANGEMENT SOON, POSSIBLY AS EARLY AS MID-FEBRUARY. NEXT MEETING IDA DEPUTIES SCHEDULED FOR MID-MARCH IN VIENNA ON A DATE TO BE ESTABLISHED AFTER FURTHER CONSULTATION WITH US. END SUMMARY.

2. THE FIFTH MEETING OF IDA DEPUTIES TO NEGOTIATE THE FIFTH REPLENISHMENT OF IDA WAS HELD IN KUWAIT JANUARY 10-11. ALL PART I COUNTRIES WITH THE EXCEPTION OF ICELAND, NEW ZEALAND AND SOUTH AFRICA ATTENDED AS DID SPAIN. SAUDI ARABIA, SWITZERLAND AND THE UAE ATTENDED AS OBSERVERS. THE PRINCIPAL TOPICS DISCUSSED DURING THE SESSION WERE THE PACE OF THE NEGOTIATION, BURDEN SHARING, THE SIZE OF THE CONTRIBUTION LIMITED OFFICIAL USE

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FROM OPEC COUNTRIES AND A BRIDGING ARRANGEMENT.

3. JAPAN PRESSED VERY HARD FOR AN EARLY AGREEMENT. THEY ARGUED THAT UNDER NORMAL PROCEDURES THE IDA V LEGISLATIONS MUST BE PASSED BY THE DIET# THE END OF THE CURRENT FISCAL YEAR IMEM##ARCH 31 IF JAPAN IS TO CONTRIBUTE THIS YEAR AND CONSEQUENTLY AGREEMENT MUST BE REACHED YON IN ORDER FOR THE JAPANESE GOVERNMENT TO SUMIT THE BILL IN TIME FOR IT TO BE PASSED IN MARCH. THE JAPANESE SAID IN FACT THAT IT HAS BEEN THEIR PRACTICE IN THE PAST TO SUBMIT THE LEGISLATION ONLY AFTER THE REPLENISHMENT RESOLUTION HAS BEEN PASSED BY THE BOARD OF GOVERNORS. A NUMBER OF SPEAKERS ALSO NOTED THE URGENCY OF AN EARLY CONCLUSION TO THE NEGOTIATIONS. EVERYONE WAS VERY MUCH AWARE OF THE US TIMING PROBLEM, HOWEVER, AND RECOGNIZED THAT NO AGREEMENT BEFORE THE MARCH MEETING WAS POSSIBLE.

4. IN HIS STATEMENT THE US DELEGATE (ERB) WHILE REITERATING US SUPPORT FOR IDA, STATED THAT BEFORE ANY

DECISION COULD BE MADE THE NEW ADMINISTRATION WOULD HAVE TO LOOK CLOSELY AT ALL ISSUES INCLUDING INTER ALIA THE OVERALL SIZE OF IDA V, BURDEN SHARING AND THE CONTRIBUTIONS OF NEW DONORS. HE UNDERLINED THE NEED FOR CLOSE CONSULTATIONS WITH THE CONGRESS AND URGED THAT SUFFICIENT TIME BE GIVEN FOR THIS PROCESS TO ENSURE A SOUND WELL CONCEIVED DECISION.

5. THE DISCUSSION ON BURDEN SHARING FOCUSED MAINLY ON THE LEVEL OF THE FRENCH CONTRIBUTION AND THE CONDITIONS OF THE JAPANESE CONTRIBUTION. THE FRENCH DELEGATE ANNOUNCED THAT WHILE THE GOF WAS PREPARED TO ACCEPT THE \$7.2 BILLION TARGET FOR TRADITIONAL DONORS, ITS CONTRIBUTION WOULD TOTAL ONLY \$350 MILLION. THE FRENCH SHARE OF \$7.2 BILLION UNDER THE NAIROBI BURDEN SHARING FORMULA WOULD BE AROUND \$410 MILLION. A NUMBER OF LIMITED OFFICIAL USE

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SPEAKERS CRITICIZED THE FRENCH DECISION ARGUING THAT IT THREATENED TO UNRAVEL THE ENTIRE NEGOTIATIONS. THE JAPANESE DELEGATE STATED THAT WHILE JAPAN WAS PREPARED TO ACCEPT ITS SHARE OF 11 PERCENT AS CALCULATED UNDER THE NAIROBI FORMULA, IT DID SO ONLY ON THE EXPLICIT CONDITION THAT PRIOR TO THE IDA VI NEGOTIATIONS THE DEPUTIES HAVE A DISCUSSION OF BURDEN SHARING BASED ON A PAPER PREPARED BY THE BANK STAFF AND THAT REPORT OF

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FROM IDA USDEL

EXECUTIVE DIRECTORS TO GOVERNORS REFER SPECIFICALLY TO JAPANESE DESIRE TO HARMONIZE ITS SHARE IN ALL BRETTON WOODS INSTITUTIONS. JAPAN'S 11 PERCENT CONTRIBUTION WOULD BE COMPRISED OF NINE PERCENT "BASIC" SHARE AND TWO PERCENT SUPPLEMENTARY CONTRIBUTIONS IN THE EXPECTATION OF SUBSEQUENT PROGRESS TOWARDS HARMONIZATION.

6. OF THE POTENTIAL OPEC CONTRIBUTORS, ONLY KUWAIT OPENLY ANNOUNCED A SPECIFIC FIGURE, REPEATING ITS INTENTION TO PROVIDE 2.5 PERCENT OF THE TOTAL UP TO A LEVEL OF \$225 MILLION. THE SAUDI DELEGATE ARRIVED WITH INSTRUCTIONS TO ANNOUNCE A CONTRIBUTION OF \$250

MILLION. THE CHAIRMAN, AFTER CONSULTATIONS WITH US SUGGESTED PRIVATELY TO THE SAUDI THAT IT WOULD BE BETTER IF HE DID NOT ANNOUNCE PUBLICLY THIS AMOUNT AND THE SAUDI READILY AGREED. THE UAE DELEGATE ARRIVED PREPARED TO ANNOUNCE A CONTRIBUTION OF \$50 MILLION BUT HE ALSO REFRAINED FROM MAKING A PUBLIC STATEMENT.

7. THE US MADE CLEAR BOTH PUBLICLY AND PRIVATELY THE IMPORTANCE WE ATTACH TO A MEANINGFUL CONTRIBUTION FROM OPEC COUNTRIES. A FEW OTHER DELEGATIONS SUPPORTED US IN THIS VIEW DURING A SMALL MEETING OF SELECTED HEADS OF DELEGATIONS INCLUDING THE KUWAITI AND SAUDI REPRESENTATIVES. THE CHAIRMAN TOLD US PRIVATELY THAT MCNAMARA WOULD BE PREPARED TO COME TO THE NEAR EAST AT AN EARLY TIME TO ATTEMPT TO PERSUADE THE SAUDIS IN PARTICULAR TO RAISE THEIR CONTRIBUTION.
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8. AFTER A LENGTHY DISCUSSION ON A BRIDGING ARRANGEMENT IN WHICH US DID NOT PARTICIPATE, IT WAS AGREED THAT THE BANK WOULD CIRCULATE A PAPER DURING THE NEXT TEN DAYS WHICH WOULD FORM THE BASIS OF AN EXECUTIVE BOARD DECISION WITHIN THE FIRST HALF OF FEBRUARY IF POSSIBLE. THIS TIME TABLE IS PREDICATED ON THE JAPANESE INFORMING THE CHAIRMAN VERY SOON THAT THEY WOULD BE ABLE TO SEEK AUTHORIZATION TO PARTICIPATE IN A BRIDGING ARRANGEMENT ON THE BASIS OF A DECISION OF THE EXECUTIVE BOARD. THE TARGET FIGURE OF \$1.2 BILLION WAS ACCEPTED. THE US MADE IT CLEAR THAT ANY ACTION BY THE EXECUTIVE BOARD IN MID-FEBRUARY ON A BRIDGING ARRANGEMENT COULD NOT CARRY WITH IT ANY IMPLICATION ON THE NATURE OF A FINAL AGREEMENT ON IDA V.

9. THE NEXT MEETING WAS SET FOR VIENNA IN MID-MARCH WITH SPECIFIC DATES TO BE ESTABLISHED LATER. THE CHAIRMAN STRONGLY PREFERS MARCH 7-9 IN THE HOPES THAT AGREEMENT CAN BE REACHED EARLY ENOUGH TO ENABLE THE JAPANESE TO GET THE LEGISLATION APPROVED THIS YEAR. WE MADE KNOWN A STRONG PREFERENCE FOR A LATER DATE.
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